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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 1992

Commission file number 0-16182

VERNITRON CORPORATION

(Exact name of registrant as specified in its charter)

Microfilmed by
Q Data Corp. - St. Petersburg, FL
11-1962029
(I.R.S. Employer
Identification Number)
L3Q

Delaware

(State or other jurisdiction of
incorporation or organization)

645 Madison Avenue
New York, New York

(Address of principal executive offices)

10022
(Zip Code)

Registrant's telephone number, including area code: (212) 593-7900

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No

5,185,070 shares of Common Stock, \$.01 par value, were outstanding as of April 24, 1992.

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VERNITRON CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

VERNITRON CORPORATION

Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)

(Unaudited)

	Quarter Ended	
	March 31,	
	1992	1991
Net sales	\$ 17,681	\$ 20,042
Cost of sales	13,510	15,552
Selling, general and administrative expenses	3,775	3,897
Amortization of intangible assets	<u>51</u>	<u>189</u>
Operating income	345	404
Interest expense - net	677	918
Other (income) expense - net	<u>4</u>	<u>31</u>
Loss before taxes	(336)	(545)
Provision for taxes	<u>-</u>	<u>-</u>
Net loss	(336)	(545)
Preferred stock dividends	<u>16</u>	<u>-</u>
Net loss applied to common shareholders' equity	\$ <u>(352)</u>	\$ <u>(545)</u>
Net loss per common share	\$ <u>(.07)</u>	\$ <u>(.23)</u>
Weighted average common shares outstanding	<u>5,171,000</u>	<u>2,400,000</u>

VERNITRON CORPORATION

Condensed Consolidated Balance Sheets (Dollars in thousands)

	March 31, 1992	December 31, 1991
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash	\$ 329	\$ 29
Accounts receivable - net	9,884	10,525
Inventories	21,769	21,323
Other current assets	<u>1,682</u>	<u>1,797</u>
TOTAL CURRENT ASSETS	33,668	33,674
PROPERTY, PLANT AND EQUIPMENT - net	12,580	12,635
EXCESS OF COST OVER NET ASSETS ACQUIRED - net	7,408	7,459
OTHER ASSETS	<u>233</u>	<u>247</u>
TOTAL ASSETS	<u>\$53,889</u>	<u>\$54,015</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,641	\$ 5,116
Current portion of long-term debt	630	630
Revolving credit facility	26,350	1,500
Accrued expenses and other liabilities	<u>6,708</u>	<u>6,937</u>
TOTAL CURRENT LIABILITIES	39,329	14,183
LONG-TERM DEBT, less current portion	1,870	1,870
REVOLVING CREDIT FACILITY	-	24,836
OTHER LONG-TERM LIABILITIES	2,533	2,616
DEFERRED INCOME	1,014	1,047
SHAREHOLDERS' EQUITY:		
Preferred Stock, issued and outstanding 434,115 shares in 1992 and 415,593 shares in 1991	4	4
Common Stock, issued and outstanding 5,185,070 shares in 1992 and 5,170,671 in 1991	52	52
Capital in Excess of Par	9,423	9,407
Accumulated Deficit (since December 31, 1991)	<u>(336)</u>	<u>-</u>
TOTAL SHAREHOLDERS' EQUITY	<u>9,143</u>	<u>9,463</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$53,889</u>	<u>\$54,015</u>

See notes to condensed consolidated financial statements.

VERNTTRON CORPORATION
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Quarter Ended	
	March 31,	
	1992	1991
Cash flows from operating activities:		
Net loss	\$ (336)	\$ (545)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization of property, plant and equipment	334	426
Amortization of deferred financing costs and intangible assets	94	268
Decrease in current assets, other than cash	267	1,219
Increase (decrease) in current liabilities	296	(967)
Other - net	(106)	(167)
Net cash provided by operating activities	<u>549</u>	<u>234</u>
Cash flows from investing activities:		
Capital expenditures	(279)	(584)
Net cash used in investing activities	<u>(279)</u>	<u>(584)</u>
Cash flows from financing activities:		
Proceeds from revolving credit borrowings	1,000	436
Repayment of revolving credit borrowings	(986)	-
Other, net	16	-
Net cash provided by financing activities	<u>30</u>	<u>436</u>
Net increase in cash	300	86
Cash at beginning of period	29	224
Cash at end of period	<u>\$ 329</u>	<u>\$ 310</u>

See notes to condensed consolidated financial statements

VERNITRON CORPORATION

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring accruals) have been included. Operating results for the quarter ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Certain items in the 1991 financial statements have been reclassified to conform to the 1992 presentation and to give effect to the reverse split of the Company's common stock.

At December 31, 1991, the Company elected to adjust its balance sheet to fair value and to transfer the accumulated deficit of \$14.1 million to capital in excess of par in accordance with quasi-reorganization accounting principles. The principal adjustment to fair value was a reduction in the carrying value of excess of cost over net assets acquired of \$16.2 million.

Per share data for the periods are based upon the weighted average number of common shares outstanding during such periods, retroactively adjusted for a reverse stock split which was effected on June 20, 1991, whereby all outstanding shares of the Company's common stock immediately prior to the reverse split became 2,400,000 shares of common stock. Outstanding common stock options or warrants have not been included in the computations of per share as they would be anti-dilutive.

The 1991 Exchange Offer eliminated the mandatory redemption provision of the \$3.75 Cumulative Exchangeable Redeemable Preferred Stock. The accumulation of undeclared pay-in-kind dividends was also eliminated as part of the amendment of this security. Accordingly, preferred stock accretion of \$189,000 and accumulated undeclared pay-in-kind dividends at estimated fair market value of \$230,000 previously deducted in arriving at net loss applied to common shareholders' equity for the first quarter of 1991 have now been excluded and earnings per share reflect this change.

Total interest paid for the quarters ended March 31, 1992 and 1991 was \$578,000 and \$911,000, respectively. The Company had net income tax payments of \$26,000 for the quarter ended March 31, 1992 and received net refunds of \$91,000 for the quarter ended March 31, 1991.

Note 2 - Inventories

Interim inventories have been determined generally by lower of estimated cost (first-in, first-out or average) or market. Inventories consist of:

	March 31, <u>1992</u>	December 31, <u>1991</u>
	(Dollars in thousands)	
Raw materials	\$ 6,901	\$ 6,915
Work-in-process	6,917	6,278
Finished goods	<u>7,251</u>	<u>8,130</u>
	<u>\$21,769</u>	<u>\$21,323</u>

Note 3 - Other Information

Selected balance sheet account disclosures follow:

	March 31, <u>1992</u>	December 31, <u>1991</u>
Allowance for doubtful accounts	<u>\$ 395</u>	<u>\$ 466</u>
Accumulated depreciation and amortization of property, plant and equipment	<u>\$ 334</u>	<u>\$ -</u>
Accumulated amortization of excess of cost over net assets acquired	<u>\$ 51</u>	<u>\$ -</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Quarter Ended March 31, 1992 Compared to the Quarter Ended March 31, 1991

Consolidated sales for the first quarter of 1992 were \$17,681,000 or \$2,361,000 below the comparable quarter in 1991. Precision Components sales were down by \$1.3 million on lower shipments of trimmers, transformers and microwave components as a result of general economic conditions. Connector and bearings shipments were almost equal to prior year levels.

Motion Control shipments were \$1.1 million lower in 1992 reflecting the decline in motor and potentiometer bookings in the second half of 1991. The general slowdown in U.S. government agency procurements, fewer major defense programs and the nonrecurring shipment of past due backlog in the first quarter of 1991 account for the sales decline.

Operating income was \$59,000 lower in 1992 compared with the first quarter of 1991. The quasi-reorganization effected as of December 31, 1991, resulted in a \$138,000 reduction in the charge for amortization of intangible assets and a \$92,000 reduction in depreciation in the first quarter of 1992. Cost reduction and productivity improvements allowed the Motion Control products group to maintain its income contribution despite the \$1.1 million drop in Motion Control product sales.

The Precision Components products group, with \$1.3 million less in shipments, accounted for the decline in operating income. Price increases in selected product lines and continued productivity improvements offset some of the variable margin lost on lower precision components sales.

Interest expense for the quarter was \$680,000 or \$283,000 less than the prior year's quarter because of more than \$3 million in lower average borrowings and the effect of lower average interest rates.

Weighted average common shares outstanding increased to 5,171,000 in 1992 from 2,400,000 in 1991 as a result of the August 1991 offer to exchange newly issued common stock for preferred stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Liquidity and Capital Resources

The balance of \$26,350,000 outstanding at March 31, 1992 under the revolving credit facility was reclassified to current liabilities since the \$27 million facility is scheduled to mature on March 31, 1993. The Company believes that the facility will continue to be extended or refinanced on satisfactory terms prior to its scheduled maturity and that cash generated from operations, including reductions in working capital, will continue to be sufficient to meet its capital expenditure and working capital requirements and to reduce borrowings.

The Company had no material commitments for capital expenditures as of March 31, 1992.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

None.

b) Reports on Form 8-K

During the quarter ended March 31, 1992, the Registrant did not file any reports on Form 8-K.

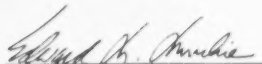
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 5, 1992

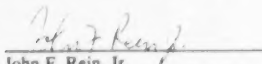
VERNITRON CORPORATION

By:



Edward M. Murchie
President and Chief Operating Officer

By:



John F. Rein, Jr.
Controller and Chief Accounting Officer